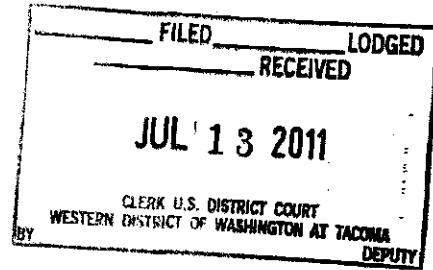


1 U.S. Magistrate Judge J. Richard Creatura
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7 UNITED STATES DISTRICT COURT
8 WESTERN DISTRICT OF WASHINGTON
9 AT TACOMA

10 UNITED STATES OF AMERICA, }
11 Plaintiff, }
12 v. }
13 RAYMOND LEO JARLIK BELL, }
14 a/k/a Raymond Leo Bell, }
15 UTE CHRISTINE JARLIK BELL, }
16 Defendants. }

NO. MJ11-5138

CRIMINAL COMPLAINT
Title 18, United States Code, Section
287

16 Before the Honorable J. Richard Creatura, United States Magistrate Judge, at
17 Tacoma, Washington.

18 **COUNT ONE - THREE**

19 **(False, Fictitious or Fraudulent Claims)**

20 On or about the following dates, in the Western District of Washington, and
21 elsewhere, defendants RAYMOND LEO JARLIK BELL and UTE CHRISTINE JARLIK
22 BELL knowingly made and presented, and aided and abetted the making and
23 presentation, to the United States Treasury Department a claim against the United States
24 for payment of a refund of taxes in the amounts set forth below, when they then and there
25 knew to be false, fictitious and fraudulent. Defendants RAYMOND LEO JARLIK BELL
26 and UTE CHRISTINE JARLIK BELL made said claims by preparing and causing to be
27 prepared an IRS Form 1040, which was presented to the United States Treasury
28 Department through the Internal Revenue Service.

Count	Date	Refund Claimed
1	June 17, 2008	\$112,069
2	January 7, 2009	\$94,756
3	July 29, 2009	\$113,798

All in violation of Title 18, United States Code, Sections 287 and 2.

DEBBIE WHITE, Affiant, being first duly sworn, state as follows:

INTRODUCTION

1. I have been a Special Agent with the United States Treasury Department,
 2 Internal Revenue Service - Criminal Investigation for over 17 years. I am presently
 3 assigned to the Seattle Field Office, Bellevue, Washington post of duty. My duties as a
 4 special agent are to investigate criminal violations of the Internal Revenue Code, (Title
 5 26), the Bank Secrecy Act (Title 31), and the Money Laundering Control Act of 1986
 6 (Title 18). I have a Bachelors of Science degree in Criminal Justice. I received six
 7 months of intensive training at the Federal Law Enforcement Center in Glynco, Georgia,
 8 to become a Special Agent. This training emphasized the investigation of criminal
 9 offenses under Titles 26, 18, and 31 of the United States Code.

10 2. During my employment as a Special Agent, I have attended continuing
 11 educational classes and seminars in various aspects of criminal investigation, dealing
 12 specifically with money laundering, asset seizure and forfeiture, various financial
 13 investigative techniques, and related financial investigations.

14 3. I make this affidavit in support of arrest warrants for RAYMOND LEO
 15 JARLIK BELL, and CHRISTINE UTE JARLIK BELL. As set forth herein, there is
 16 probable cause to believe that both individuals have jointly submitted false and fraudulent
 17 claims to the United States, specifically, fraudulent claims for tax refunds, in violation of
 18 18 U.S.C. §§ 287 and 2.

19 4. This affidavit is based on my own investigation and on information
 20 provided to me by other law enforcement officers. This affidavit is prepared for the
 21 limited purpose of obtaining arrest warrants, and therefore does not contain every fact

1 known to me about this investigation.

2 **II. SUMMARY OF PROBABLE CAUSE.**

3 **A. BACKGROUND OF TAX SCHEME.**

4 5. An original issue discount, or "OID," is a form of interest that typically
 5 arises with certain bonds. For example, an investor purchases a bond for \$5,000 that can
 6 be redeemed a year later for \$6,000. The investor has purchased the bond for a \$1,000
 7 "discount," i.e., the investor will earn \$1,000 in interest over the course of the bond by
 8 time it is redeemed.

9 6. The IRS requires that the bond holder pay tax on this interest. A financial
 10 institution or other entity will issue the bond holder a Form 1099-OID reporting the
 11 \$1,000 as taxable income. In some circumstances, the financial institution or entity will
 12 withhold tax on this amount. The bond holder is required to report this amount on his or
 13 her income tax return regardless whether the money was withheld by the financial
 14 institution.

15 7. The IRS has encountered a nationwide tax refund scheme involving Forms
 16 1099-OID, that has nothing to do with the legitimate reporting of OID interest. The IRS
 17 has addressed this scheme in several publications, including the *Truth About Frivolous*
 18 *Arguments*. The publication describes the scheme as follows:

19 Contention: A Form 1099-OID can be used as a debt payment option or the
 20 form or a purported financial instrument and may be used to obtain money
 from the Treasury.

21 Advocates of this contention encourage individuals to use a Form
 22 1099-OID, Original Issue Discount, or a bogus financial instrument such as
 a bonded promissory note as what purports to be a debt payment method for
 23 credit cards or mortgage debt. This scheme has evolved somewhat from an
 earlier frivolous position under which a secret bank account (sometimes
 referred to as a "straw man" account) was supposedly created at the
 24 Treasury Department for each U.S. citizen that individuals could use to pay
 tax and non-tax debts and claim withholding credits. Those who put forth
 25 this theory often argue that the proper way to redeem or draw on the
 account is to use some form of made-up financial instrument. This has
 26 frequently involved what looks like a check drawn on the United States
 Treasury or other similar paper instruments, e.g., bonded promissory notes.

27 More recently, this redemption theory asserts that persons can draw on the
 28 secret or "straw man" Treasury account by sending a Form 1099-OID to a

1 creditor and the creditor can present the form to the Treasury Department
 2 and receive full payment of the debt. The proponents appear to assert that
 3 the Form 1099-OID permits them to access their secret Treasury Account
 4 for an amount equal to the face amount of the Form 1099-OID in the form
 5 of a tax refund.

6 Proponents of this theory appear to additionally argue that they have sold or
 7 transferred their debt or obligation to the person to whom they issued the
 8 Form 1099-OID in a transaction subject to sections 1271 through 1275 and
 9 that the debt or obligation is transferred with a discount of the full face
 10 amount. The issuer of the Form 1099-OID then treats the face amount of the
 11 Form 1099-OID as "other income" on the individual's return. The "other
 12 income" amount, however, is not included in the taxable income line.

13 Persons asserting this theory often significantly overstate withholding and
 14 claim an excessive refund in an amount close or identical to the inflated
 15 withholding.

16 The Law: As the instructions to the Form 1099-OID indicate, the purpose
 17 of the form is to report the original issue discount of holders of OID
 18 obligations, like certificates of deposit, time deposits, bonds, debentures,
 19 bonus saving plans, and Treasury inflation-indexed securities, having a term
 20 of more than one year. OID is simply the excess of the stated
 21 redemption of the deposit, bond, or other financial obligation at maturity
 22 over its issue price. Under section 1272, OID is taxable as interest over the
 23 life of the obligation and must be included in the holder's gross income each
 24 taxable year that the obligation is held. Certain obligations are excepted,
 25 including United States savings bonds and short-term (less than one year)
 and tax-exempt obligations.

26 The Form 1099-OID is in no way a financial instrument. It is not a
 27 legitimate method of payment of any public or private debt, and it is not a
 28 means to withdraw or redeem money from the Treasury. Furthermore, as the
 29 federal Court of Appeals for the Sixth Circuit stated in *United States v.
 Anderson*, 353 F.3d 490, 500 (6th Cir. 2003), *cert. denied*, 541 U.S. 1068
 (2004), the Treasury Department does not maintain depository accounts
 against which an individual can draw a check, draft, or any other financial
 instrument. The notion of secret accounts assigned to each citizen is pure
 fantasy.

30 In addition to potential civil and criminal tax penalties for misuse of the
 31 Form 1099-OID, persons who fraudulently use false or fictitious
 32 instruments may be guilty of federal criminal offenses, such as under
 33 Sections 287 and 514(a) of Title 18.

34 The IRS has issued Revenue Ruling 2005-21, 2005-1 C.B. 822 ("straw
 35 man") and Revenue Ruling 2004-31, 2004-1 C.B. 617 (commercial
 36 redemption) warning taxpayers of the consequences of making such
 37 frivolous arguments.

38 B. JARLIK-BELL'S PRIOR TAX ISSUES.

39 8. The information in this Affidavit refers to Raymond Leo Jarlik-Bell (also
 40 known as Raymond Bell) who resides with his wife, Ute Christine Jarlik-Bell at the

1 subject residence, 22727 Trails End Road SE, Yelm, WA 98597. The Jarlik-Bells are
 2 participants in the "Sovereign Assemblies" movement and consider themselves
 3 "sovereign citizens." As sovereign citizens, they believe they are not subject to some or
 4 all of the laws governing the citizens of the United States.

5 9. On or about Mary 23, 2005, Raymond Bell was permanently barred from
 6 promoting two tax fraud schemes by the U.S. District Court for the Western District of
 7 Washington at Tacoma, Civil No. 04-5648RJB. As part of the permanent injunction
 8 order, Bell's two businesses, American Beauty Rose and Best Way, Inc., were also barred
 9 from selling the tax fraud schemes. The court found that the Bell's first scheme used
 10 sham trusts and unincorporated business organizations as a means of attempting to
 11 conceal income from the IRS. As a second part of the scheme, Bell helped his clients
 12 falsely claim tax-exempt status for their businesses and assisted clients in fabricating and
 13 inflating deductions in a fraudulent attempt to evade income and employment taxes.

14 Specifically, Bell was permanently enjoined from:

- 15 a) Organizing, promoting, marketing, or selling any entity, plan, or
 16 arrangement that incites taxpayers to attempt to violate the internal revenue laws or
 17 unlawfully evade the assessment of their federal tax liabilities;
- 18 b) Causing other individuals and entities to understate their federal tax
 19 liabilities and avoid paying federal taxes;
- 20 c) Further engaging in any conduct subject to penalty under I.R.C.
 21 §6700, i.e., making or furnishing, in connection with the organization or sale of any
 22 entity, plan, or arrangement, a statement about the allowability of any deduction or credit,
 23 the excludability of any income, or the securing of any other tax benefit that defendants
 24 know or have reason to know is false or fraudulent as to any material matter;
- 25 d) Further engaging in any conduct subject to penalty under I.R.C.
 26 §6701, i.e., aiding, assisting, or advising with respect to the preparation or presentation of
 27 any portion of a return or other document knowing that such document, if used, will result
 28 in the understatement of another person's tax liability; and

1 e) Further engaging in any conduct that interferes with the
 2 administration and enforcement of the internal revenue laws.

3 10. As outlined below, and despite that injunction, there is probable cause to
 4 believe that Jarlik-Bell is currently involved in a tax refund scheme, in direct violation of
 5 the Permanent Injunction imposed by United States District Judge Robert J. Bryan, and
 6 therefore in violation of 18 U.S.C. §§ 401 and 402.

7 **C. PERSONAL TAX RETURNS**

8 11. During the course of my investigation, I obtained a copy of three Federal
 9 income tax returns filed by Raymond Leo Jarlik-Bell; two returns for 2007 and one for
 10 2008. All three of the tax returns were classified as frivolous returns by the IRS Ogden
 11 Service Center. All three of the tax returns reflected inflated Federal income tax withheld
 12 from Forms 1099-OID, resulting in large claimed fraudulent tax refunds.

13 12. Based on my investigation, the Bells did not receive the income reflected,
 14 nor was any tax withheld, contrary to the representations made on the returns, in violation
 15 of 18 U.S.C. § 287.

16 13. More specifically, a 2007 Federal income tax return, Form 1040, was
 17 received at the IRS on or about June 17, 2008¹ seeking a tax refund of \$112,069. The tax
 18 return was self prepared and filed in the names Raymond L. Bell Jr., and Ute C.
 19 Jarlik-Bell of Yelm, WA. The tax return appears to be computer-generated with a few
 20 numbers handwritten in. The tax return was postmarked in Olympia, WA and the return
 21 address on the envelope was R. Jarlik-Bell, PO Box 2336, Yelm, WA 98597. Based on
 22 my investigation, the Bells were not entitled to the refunds sought.

23 14. A second 2007 Federal income tax return, Form 1040, was received by the
 24 IRS on or about January 7, 2009 seeking a tax refund of \$94,756. The tax return was
 25

26 ¹ The document bears multiple received stamps from various parts of the IRS. As
 27 near as I can determine, this date is the earliest date the return was received by an IRS
 28 component.

1 filed in the names Raymond L. Bell, Jr., and Ute C. Jarlik-Bell, **22727 Trails End Dr.**
 2 **SE, Yelm, WA 98597** (the Subject Residence). The tax return appears to be
 3 computer-generated. This return also contained a Form 1096, Annual Summary and
 4 Transmittal of U.S. Information Returns, for the tax year 2007. The Form 1096 is used to
 5 transmit paper Forms 1099-OID and other forms to the IRS. The Filer's name is
 6 Raymond Leo Bell, 22727 Trails End Dr., SE, Yelm, WA 98597. The contact person is
 7 listed as Raymond Leo Bell, telephone number (360) 894-7917, and email address
 8 jarlikbell777@gmail.com. Attached to the Form 1096 are three Forms 1099-OID in the
 9 names Westar Funding, Inc., Bank of America, and Venture Bank; each reflecting Federal
 10 income tax withheld of \$50,000, \$563.90, and \$63,376, respectively.

11 15. I have reviewed records from each of these entities, and it appears that none
 12 of these entities actually issued the 1099-OIDs attributed to them. In addition, I have
 13 confirmed by correspondence and conversations with Westar that the form is not their
 14 record.

15 16. On September 18, 2008, IRS Form Letter 3175C was sent to Raymond L.
 16 Jr. and Ute Jarlik-Bell concerning their filing of frivolous income tax returns with the
 17 IRS. The letter states that if they continue to send in frivolous correspondence that the
 18 IRS will no longer respond to it. The IRS letter provides information regarding IRS
 19 Publication 2105, *Why Do I Have to Pay Taxes?*, and provided the IRS internet website to
 20 read the publication. In addition, the letter refers to a document entitled *The Truth About*
Frivolous Tax Arguments which can also be found on the IRS website. The IRS letter
 22 further warns about a civil penalty of \$5,000 which may be imposed for filing frivolous
 23 tax.

24 17. It appears that once Raymond Jarlik-Bell received this letter, a stamp was
 25 applied to each page of the letter stating, "Accepted for honor and value by drawer
 26 exempt from levy exemption offset #5X-XXXX004." It is signed by Raymond Leo Bell
 27 as Agent and is dated October 21, 2008. The stamped message continues "Deposit to the
 28 US Treasury and Charge the same to IRS-US Treas Via Pass Through Account

1 #5XX-XX-XXX4." Both of the account numbers indicated on the stamp is Jarlik-Bell's
 2 social security number (and is therefore partially redacted in this affidavit). The letter
 3 appears to have been mailed back to the IRS with a cover letter from Jarlik-Bell, in which
 4 he explained that he was unable to determine how to report the Forms 1099-OID and
 5 1096 information via his Turbo Tax program. He further states that "the filings in our
 6 (IRS) possession are the proper and complete for the period in question." The postmark
 7 indicates these documents were also mailed from Yelm, WA.

8 18. A 2008 Federal income tax return, Form 1040, was received at the IRS on
 9 or about July 20, 2009 in the names Raymond L. Bell, Jr., and Ute C. Jarlik-Bell, PO Box
 10 2336, Yelm, WA 98597, seeking a tax refund of \$113,798.00. The fraudulent refund
 11 claim was generated by inflated Federal income tax withholdings.

12 19. On April 29, 2009, IRS Form Letter 12C was sent to the Bells concerning
 13 their 2008 Form 1040. The letter requested additional information supporting the Federal
 14 withholding entry of \$140,975.00 on line 62 of Form 1040.

15 20. In a letter dated May 15, 2009, Raymond L. Bell, signed as Authorized
 16 Representative, responded to the IRS by submitting six fraudulently prepared Forms
 17 1099. There were two Forms 1099-OID purporting to be from Venture Bank, reflecting
 18 Federal income tax withheld of \$72,555 and \$68,420, totaling \$140,975. Line 62 of
 19 Form 1040 is where a taxpayer reports Federal income tax withheld from Forms W-2 and
 20 1099; meaning these taxes have already been paid or withheld.

21 21. There were two Forms 1099-A, Acquisition or Abandonment of Secured
 22 Property, with both the borrower and lender being Raymond L. Bell. The Form 1099-A In
 23 the "Description of Property" box is the following explanation - "Asset transfer to account
 24 for the deposits done by bank. Transfers covered by routing information 125107671
 25 12100992." These numbers represent Raymond Jarlik-Bell's bank account numbers at
 26 Venture Bank.

27 22. Forms 1099-A are used legitimately in the following circumstances: a
 28 borrower defaults on a loan that is secured by property. The lender takes possession of

1 the property and cancels the debt. If the amount of the cancelled debt is greater than the
2 value of the property, the lender will issue the borrower a Form 1099-A reporting the
3 difference as income to the borrower.

4 23. The Forms 1099-A submitted by Raymond Jarlik-Bell did not involve these
5 circumstances. A Form 1099-A includes the following fields: lender, borrower,
6 description of property, balance of principal outstanding and fair market value of
7 property. Jarlik-Bell is identified as the lender and payer on the forms.

8 24. Finally, there were two Forms 1099-B, Proceeds From Broker and Barter
9 Exchange Transactions, submitted by Jarlik-Bell. The legitimate use of Form 1099-B is
10 required when a broker knows that a corporation in which you own stock has had a
11 change in control or a substantial change in capital structure. A taxpayer may be required
12 to recognize a gain from the receipt of cash, stock or other property that was exchanged
13 for the corporation's stock. A Form 1099-B includes the following fields: payer,
14 recipient, date of sale or exchange, a dollar amount for stocks, bonds, etc., and a
15 description of the reported transaction. The Forms 1099-B submitted by Jarlik-Bell did
16 not involve these circumstances.

17 25. Both Defendants signed each of the returns referenced above under penalty
18 of perjury.

19 26. The IRS did not issue tax refunds to Jarlik-Bell for the 2007 and 2008
20 returns. Each of the returns were deemed frivolous upon receipt by the IRS and
21 forwarded to the Frivolous Return Unit at the IRS Service Center in Ogden, Utah.

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27. All three fraudulent returns are subscribed to by both Defendants. Based on the foregoing, I respectfully submit that there is probable cause to believe that both Defendants have therefore violated 18 U.S.C. §§ 287 and 2.



DEBORAH WHITE, Affiant
Special Agent
Internal Revenue Service

Based on the Complaint and Affidavit sworn to before me, and subscribed in my presence, the Court hereby finds that there is probable cause to believe the defendant committed the offenses set forth in the Complaint.

Dated this 13th day of July, 2011.

~~HON. J. RICHARD GREATRAX~~
United States Magistrate Judge